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Investment Bankers

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6 August 2001

Mr Geoff Dixon  
Chief Executive  
Qantas Airways

Dear Geoff

The purpose of this note is to confirm the discussion between John Wilson of the New Zealand Treasury and David Hawes on Friday 3 August, about the process the New Zealand Government will follow to make its decisions about the future ownership of Air New Zealand.

Ministers have appointed me to manage this process and I am to report directly to Dr Cullen. At this stage we are progressing discussions with Qantas and Singapore Airlines in parallel. We would like to meet with your team in Wellington on Thursday 9 August starting at 9am on the 13<sup>th</sup> floor of the Treasury building, No 1 the Terrace. We would plan for a full day meeting.

As John indicated to David, we will be particularly interested in the following:

What would New Zealand gain from Qantas becoming the cornerstone shareholder in a restructured Air New Zealand group? Under that general topic we would look to you to cover the following issues:

- Employment in New Zealand.
- Promotion of New Zealand tourism.
- Protection of Air New Zealand's access to New Zealand's traffic rights.
- → Strengthening of Air New Zealand's position within the international aviation industry by securing Qantas and OneWorld traffic feeds for Air New Zealand.
- Protection and future enhancement of Air New Zealand's existing route structure.
- Fleet replacement and enhancement. (must favoured airline)
- Competition, in New Zealand and on the Trans-Tasman routes in particular.

*Negotiate some commercial arrangement as per global members.*

*(max traffic routes)  
less relevant to Qantas*

Under each of these headings we will be looking for concrete and verifiable commitments, rather than general statements of intent.

Secondly we will want to get a clear understanding from you about how the Qantas proposal would be progressed. This should cover:

- Timelines and critical dates.
- Agreements and approvals needed from 3<sup>rd</sup> parties. In particular agreements and approvals needed from the Australian and New Zealand Governments, and regulatory Authorities in Australia and New Zealand.

- The likelihood of obtaining those approvals, and your strategy if the approvals are not forthcoming.
- How you would progress the linkage with Singapore Airlines over:
  - Purchase of its Air New Zealand shares;
  - Singapore Airlines' direct investment in Ansett;
  - Assurances about competition on the Tasman and in New Zealand.

We will also want to discuss your plans for the existing Brierley shareholding, and any risks around that proposal.

Finally we need to agree the process and the next steps following your presentation to the Crown Negotiating Team.

Ministers have appointed me to progress discussions with both airlines and have directed that all discussions on your proposal be directed through me as leader of the negotiation team.

In terms of the format of the meeting, I suggest we start with a presentation from Qantas covering the above issues, and any others you think are important.

I look forward to progressing these issues with you on Thursday.

Yours sincerely  
**CAMERON & COMPANY LIMITED**



Rob Cameron  
Partner